

East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana
June 30, 2013

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December 17, 2013

Independent Auditor's Report

Board of Directors
East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

We have audited the accompanying financial statements of East Baton Rouge Truancy Assessment, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Baton Rouge Truancy Assessment, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of East Baton Rouge Truancy Assessment, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Baton Rouge Truancy Assessment, Inc.'s internal control over financial reporting and compliance.

Yours truly,

Hawthorn, Wainwright & Carroll, LLP

East Baton Rouge Truancy Assessment, Inc.
Statement of Financial Position
June 30, 2013

ASSETS

Cash and Cash Equivalents	\$ 559,105
Accounts Receivable	4,000
Prepaid Expenses	4,028
Property and Equipment, net	<u>218,241</u>
Total Assets	<u>\$ 785,374</u>

LIABILITIES

Line of Credit	\$ 3,895
Accounts Payable	28,186
Accrued Liabilities	20,423
Compensated Absences Payable	<u>11,436</u>
Total Liabilities	63,940

NET ASSETS

Unrestricted	<u>721,434</u>
Total Liabilities and Net Assets	<u>\$ 785,374</u>

The accompanying notes are an integral part of these financial statements.

East Baton Rouge Truancy Assessment, Inc.
Statement of Activities
Year Ended June 30, 2013

	<u>Unrestricted</u>
Revenue and Other Support	
Grants	\$ 748,595
In-Kind Contributions	329,912
Interest	53
Miscellaneous	30,047
Rent	<u>176,078</u>
Total Revenue and Other Support	<u>1,284,685</u>
Expenses	
Program	
Family and Youth Service Center (FYSC)	552,627
Truancy Assessment Service Center (TASC)	<u>402,817</u>
Total Program	955,444
Management and General	<u>166,833</u>
Total Expenses	<u>1,122,277</u>
Increase in Net Assets	162,408
Net Assets, beginning of year	<u>559,026</u>
Net Assets, end of year	<u><u>\$ 721,434</u></u>

The accompanying notes are an integral part of these financial statements.

East Baton Rouge Truancy Assessment, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013

	<u>FYSC</u>	<u>TASC</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Expenses					
Compensation and Salaries	\$ 68,949	\$ 335,240	\$ 404,189	\$ 71,328	\$ 475,517
Employee Benefits and Payroll Taxes	6,457	23,197	29,654	1,560	31,214
	<u>75,406</u>	<u>358,437</u>	<u>433,843</u>	<u>72,888</u>	<u>506,731</u>
Accounting	3,356	790	4,146	12,440	16,586
Bank Charges	-	-	-	377	377
Client Transportation	-	201	201	-	201
Computer	42,019	-	42,019	-	42,019
Contract Labor	5,602	1,000	6,602	-	6,602
Depreciation	-	-	-	54,882	54,882
Equipment	425	2,263	2,688	-	2,688
Insurance	-	-	-	16,322	16,322
Interest	-	-	-	234	234
Meals and Entertainment	658	-	658	-	658
Mileage Reimbursement	-	6,093	6,093	-	6,093
Miscellaneous	-	1,795	1,795	-	1,795
Occupancy, In-Kind	211,424	23,760	235,184	-	235,184
Office	-	1,381	1,381	154	1,535
Payroll Fees	-	2,814	2,814	-	2,814
Postage and Shipping	295	694	989	-	989
Printing and Publications	1,259	2,388	3,647	-	3,647
Repairs and Maintenance	131,764	-	131,764	-	131,764
Supplies	12,400	1,201	13,601	1,510	15,111
Telephone	13,517	-	13,517	1,502	15,019
Travel	-	-	-	468	468
Utilities	54,502	-	54,502	6,056	60,558
	<u>54,502</u>	<u>-</u>	<u>54,502</u>	<u>6,056</u>	<u>60,558</u>
Total Expenses	<u>\$ 552,627</u>	<u>\$ 402,817</u>	<u>\$ 955,444</u>	<u>\$ 166,833</u>	<u>\$ 1,122,277</u>

The accompanying notes are an integral part of these financial statements.

East Baton Rouge Truancy Assessment, Inc.
Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows From Operating Activities	
Increase in Net Assets	\$ 162,408
Adjustments to Reconcile Increase in Net Assets to	
Net Cash Provided By Operating Activities	
Depreciation	54,882
(Increase) Decrease in Assets:	
Prepaid Expenses	1,187
Increase (Decrease) in Liabilities:	
Accounts Payable	28,186
Accrued Liabilities	7,617
Compensated Absences Payable	<u>2,292</u>
Net Cash Provided By Operating Activities	<u>256,572</u>
Cash Flows From Investing Activities	
Purchase of Property and Equipment	<u>(178,248)</u>
Net Cash Used in Investing Activities	<u>(178,248)</u>
Net Increase in Cash and Cash Equivalents	78,324
Cash and Cash Equivalents, beginning of year	<u>480,781</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 559,105</u></u>
Supplemental Disclosure of Cash Flow Information	
Cash Paid During the Year for Interest	<u><u>\$ 234</u></u>

The accompanying notes are an integral part of these financial statements.

East Baton Rouge Truancy Assessment, Inc.
Notes to Financial Statements
June 30, 2013

Note 1-Nature of Operations

East Baton Rouge Truancy Assessment, Inc. (the "Organization") is a Louisiana non-profit voluntary health organization, incorporated on February 21, 2001 for the purpose of identifying children who have exhibited truant tendencies, assess the causal problems for these tendencies, and provide services or refer the identified children and their families to necessary services to eliminate or alleviate the causal problems for the truant behavior within East Baton Rouge Parish.

The Organization operates the following programs: Truancy Assessment Service Center (TASC) and Family and Youth Service Center (FYSC).

TASC - Designed to provide early identification, rapid assessment, and intensive truancy reduction services to at-risk students grades kindergarten through fifth grade. The TASC program targets children most in need of services as well as "high risk" schools. TASC is funded by the East Baton Rouge Parish School Board.

FYSC - Designed to offer services for youth and families in a convenient and caring environment. FYSC is funded by the East Baton Rouge Parish School Board, the City-Parish, Sheriff's Office, District Attorney's Office, and private grants.

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include those net assets whose use by the Organization is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors (a) to later periods of time or other specific dates or (b) for specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Organization's use of the assets. At June 30, 2013, the Organization had no temporarily or permanently restricted net assets.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates that were used.

East Baton Rouge Truancy Assessment, Inc.
Notes to Financial Statements
June 30, 2013

Note 2-Summary of Significant Accounting Policies (Continued)

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

D. Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for doubtful accounts. The Organization determines its allowance for doubtful accounts based on prior years' experiences and management's analysis of possible bad debts. The Organization uses the specific identification allowance method, charging off receivables on a case-by-case basis. As of June 30, 2013, no allowance had been established.

E. Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of donation. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives of the respective assets. Expenditures for major repairs and improvements in excess of \$500 that extend the useful lives of property and equipment are capitalized at cost. Expenditures for maintenance and minor repairs are charged to expense as incurred.

The estimated useful lives for property and equipment are as follows:

Leasehold Improvements	3-15 years
Equipment	5-7 years
Software	5 years

F. Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the services specified under the terms of the grant agreements. Advances under the grants are recorded as deferred income until such time as they can be recognized as revenue.

East Baton Rouge Truancy Assessment, Inc.
Notes to Financial Statements
June 30, 2013

Note 2-Summary of Significant Accounting Policies (Continued)

G. Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization has been classified as an organization other than a private foundation.

The Organization follows FASB ASC 740, *Income Taxes*, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Organization evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Organization's income tax returns for 2012, 2011, and 2010 are subject to possible federal and state examination, generally for three years after they are filed.

The Organization may be subject to interest and penalties assessed by various taxing authorities. These amounts are expensed when they occur.

H. Compensated Absences

The Organization provides paid time off (PTO) for its employees. Unused PTO, up to a maximum of 80 hours at the end of the fiscal year, may be carried forward. Any unused PTO in excess of 80 hours will be forfeited if not used by the end of the fiscal year. The accrued liability for compensated absences totaled \$11,436 at June 30, 2013.

I. Advertising

Advertising costs are expensed as incurred. There were no advertising costs for the year ended June 30, 2013.

Note 3-Property and Equipment

The following is a summary of property and equipment as of June 30, 2013:

Leasehold Improvements	\$ 200,351
Equipment	111,628
Software	43,716
	<u>355,695</u>
Less: accumulated depreciation and amortization	<u>137,454</u>
	<u>\$ 218,241</u>

East Baton Rouge Truancy Assessment, Inc.
Notes to Financial Statements
June 30, 2013

Note 4-Line of Credit

The Organization has a \$20,000 revolving line of credit with a financial institution, of which \$3,895 was drawn as of June 30, 2013, bearing interest at 6% per annum, unsecured.

Note 5-In-Kind Contributions

The East Baton Rouge School System and the Sheriff's Office each provide an employee on an in-kind basis. The estimated value of the in-kind contribution of the employee recognized in the statement of activities is \$94,728 for the year ended June 30, 2013.

The Department of Education provides office space on an in-kind basis. The estimated value of the in-kind contribution of the rental of the facilities recognized in the statement of activities is \$235,184 for the year ended June 30, 2013.

Note 6-Operating Leases

The Organization leases its facilities to various other entities under four separate, one-year, noncancelable, operating leases. Future minimum lease payments to be received are as follows:

2014	<u>\$ 286,978</u>
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Note 7-Board of Directors Compensation

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

Note 8-Contingencies

The Organization participates in state grant programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs disallowed would be recognized in the period agreed upon by the grantor agency and the Organization.

Note 9-Concentrations

The Organization receives revenue through grants and contracts administered by the State of Louisiana. The grant and contract amounts are appropriated each year by the state government. If significant budget cuts are made at the state level, the amount of funds received by the Organization could be reduced significantly by an amount that could adversely impact its operations. Management is not aware of any actions that will adversely affect the amount of grants and contracts the Organization will receive in the next fiscal year.

East Baton Rouge Truancy Assessment, Inc.
Notes to Financial Statements
June 30, 2013

Note 9-Concentrations (Continued)

At various times during the year, interest bearing accounts on deposit with one banking institution exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their cash and cash equivalents balances to minimize this potential risk.

Note 10-Subsequent Events

The Organization evaluated all subsequent events through December 17, 2013, the date the financial statements were available to be issued. As a result, the Organization noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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December 17, 2013

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
East Baton Rouge Truancy Assessment, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Baton Rouge Truancy Assessment, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Baton Rouge Truancy Assessment, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Baton Rouge Truancy Assessment, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2013-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Baton Rouge Truancy Assessment, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Baton Rouge Truancy Assessment, Inc.'s Response to Findings

East Baton Rouge Truancy Assessment, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. East Baton Rouge Truancy Assessment, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yours truly,

Hawthorn, Waymouth & Powell, LLP

East Baton Rouge Truancy Assessment, Inc.
Schedule of Current Year Findings and Questioned Costs
Year Ended June 30, 2013

Findings - Financial Statement Audit

Significant Deficiencies

2013-01: Duplicate Payment of Invoices

Condition: We found evidence of two invoices that were paid twice.

Criteria: There should be controls in place to ensure that invoices are only paid once.

Cause: The Organization is remitting payment for goods and services from statements, rather than individual invoices; thus leaving them vulnerable to the possibility of duplicate payment.

Effect: Paying the same invoice twice.

Auditor's Recommendation:

The Organization should pay for goods and services based on invoices, rather than statements.
The invoices should be stamped paid to avoid duplicate payments.

Management's Corrective Action Plan:

Management implemented a system in which all vendor statements are matched to the correct invoice and each invoice is verified. The invoices are then attached to the statement, each is marked "PAID," and the check number of the payment is written on the statement.

East Baton Rouge Truancy Assessment, Inc.
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2013

Findings - Financial Statement Audit

Significant Deficiencies

2012-01 - Timely Filing

Condition: The East Baton Rouge Truancy Assessment, Inc. neglected to submit audited financial statements in a timely manner.

Criteria: Agencies that must report to the Louisiana Legislative Auditor must observe the state law and submit their audited financial statements within six months after the fiscal year end.

Cause: Due to extenuating circumstances out of management's control, they were unable to adhere to the requirement. Management made the necessary arrangements with the Louisiana Legislative Auditor to obtain an extension, which was met. This finding has no effect on the financial statements.

Effect: The delay in the audit submission caused the entity to be out of compliance with the Louisiana Legislative Auditor.

Auditor's Recommendation:

The entity experienced extenuating circumstances with the loss of their auditor. In previous years, the audit was completed by the six month deadline, and we believe the entity will continue to meet this requirement as in prior years.

Management's Corrective Action Plan:

We agree with the finding and will ensure that all future audits are issued in a timely manner.

Status: This finding has been resolved.